Calendar No. 210

98TH CONGRESS, 1st Session | SENATE | REPORT No. 98-137

AUTHORIZING ADDITIONAL HYDROELECTRIC FACILITIES AT EXISTING BUREAU OF RECLAMATION PROJECTS

MAY 20 (legislative day, MAY 16), 1983.—Ordered to be printed

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Mr. MCCLURE, from the Committee on Energy and Natural Resources, submitted the following

REPORT

together with

ADDITIONAL VIEWS

[To accompany S. 268]

The Committee on Energy and Natural Resources, to which was referred the bill (S. 268) to authorize the Secretary of the Interior to construct, operate, and maintain hydroelectric powerplants at various existing water projects, and for other purposes, having considered the same, reports favorably thereon with amendments to the text and recommends that the bill (as amended) do pass.

The amendments are as follows:

1. Page 2, line 2, strike "(b), (d), (e), or (f)" and insert in lieu thereof "(c), or (g)".
2. Page 2, line 14, following "in" insert "section 4 of".
3. Page 2, line 17, between the words "to" and "this" insert "section 4 of".
4. Page 2, line 18, following "maintain" insert "contractual".
5. Page 2, line 19, following "construction" insert "or uprating".
6. Page 3, line 1, following "maintain" insert "contractual".
7. Page 3, line 4, strike section 4 in its entirety and insert in lieu thereof the following new section:

"SEC. 4. (a) Whiskeytown powerplant unit, Central Valley project, California, consisting of a turbine generator

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unit of three thousand kilowatts on the outletworks of Whiskeytown Dam.

"(b) Yellowtail Afterbay powerplant unit, Pick-Sloan Missiouri Basin program, Montana, consisting of a turbine generator unit of ten thousand kilowatts on the outlet works of Yellowtail Afterbay Dam.

"(c) Red Bluff powerplant unit, Central Valley project, California, consisting of four turbine generator units of two thousand five hundred kilowatts each at Red Bluff Diversion Dam.

"(d) Palisades Powerplant enlargement, Palisades project, Idaho-Wyoming, consisting of one or more turbine generator units so as to increase the powerplant capacity by ninety thousand kilowatts.

"(e) Anderson Ranch powerplant unit, Boise project, Idaho, consisting of a turbine and generator unit to increase the powerplant capacity by thirty thousand kilowatts.

"(f) Minidoka powerplant rehabilitation and enlargement, Minidoka project, Idaho-Wyoming, consisting of two turbine generator units of fifteen thousand kilowatts each in replacement of existing units one through six.

"(g) Guernsey powerplant enlargement, North Platte project, Wyoming, consisting of one turbine generator unit to increase the powerplant capacity by fifteen thousand kilowatts."

8. Page 4, line 25, following "to" insert "section 4 of".

9. Page 5, line 5, strike subsection (b) in its entirety and insert in lieu thereof the following new subsection:

"(b) The Federal powerplants constructed pursuant to section 4 of this Act shall be financially integrated with and the power marketed under rate schedules in effect for the several programs as follows:

"(1) Whiskeytown and Red Bluff powerplant units shall be marketed through the Central Valley project power marketing program;

"(2) Yellowtail Afterbay powerplant unit shall be marketed through the Pick-Sloan Missouri Basin program power marketing program;

"(3) Palisades powerplant enlargement, Anderson Ranch powerplant unit, and Minidoka powerplant rehabilitation and enlargement shall be marketed through the Federal Columbia River Power System; and

"(4) Guernsey powerplant unit shall be marketed through the Western Division, Pick-Sloan Missouri Basin program power marketing program.".

10. Page 5, line 24, following "in" insert "section 4 of".

11. Page 6, line 5, following "in" insert "section 4 of".

12. Page 6, line 12, strike section 8 in its entirety and insert in lieu thereof the following new section:

"SEC. 8. (a) There are hereby authorized to be appropriated beginning October 1, 1983, to the Secretary of the Interior for construction of the powerplants authorized in section 4 of this Act the

amounts set forth in subsection (b), on the basis of October 1983 price levels, plus or minus such amounts as may be justified by reason of ordinary fluctuations of construction cost indexes applicable to the type of construction involved herein. There are also authorized to be appropriated to the Secretary of Energy such sums as may be necessary for the purposes of sections 2 and 3 of this Act, and to the Secretary of the Interior such additional sums as may be necessary for the operation and maintenance of the Federal powerplants authorized in section 4 of this Act.

"(b) (1) Whiskeytown powerplant unit, $3,780,000.

"(2) Yellowtail Afterbay powerplant, $25,600,000.

"(3) Red Bluff powerplant unit, $42,100,000.

"(4) Palisades powerplant enlargement, $76,000,000.

"(5) Anderson Ranch powerplant unit, $14,317,000.

"(6) Minidoka powerplant rehabilitation and enlargement, $73,437,000.

"(7) Guernsey powerplant enlargement, $22,337,000.".

Purpose

As ordered reported, S. 268 would authorize the Secretary of the Interior to construct, operate, and maintain hydroelectric generating facilities at seven existing Bureau of Reclamation projects located in California, Montana, Idaho, and Wyoming.

Background

In 1977, the Department of the Interior's Bureau of Reclamation published a report entitled "Western Energy Expansion Study." The report, as part of the Bureau's general investigations program, examined the potential for the development of hydroelectric power, including pumped storage, at both new sites and existing Bureau facilities in the 17 Western States. A total of 127 proposals for hydroelectric development were examined, of which 61 proposals were recommended for further study.

Based on the recommendation of the report, legislation was introduced in the 95th Congress to authorize construction of the proposed generating facilities at eight of the sites evaluated; however, Congress adjourned prior to action on the measures. In the 96th Congress, similar legislation was introduced but, with the benefit of additional studies undertaken by the Department of the Interior, the measure authorized construction of 13 powerplants at existing projects. The bill (S. 1420) was passed by the Senate, but was not considered by the House prior to adjournment of the 96th Congress. In the 97th Congress, a similar bill (S. 306) passed the Senate but, once again, Congress adjourned prior to final consideration.

Except for the deletion of the authorization of the Buffalo Bill Powerplant expansion in Wyoming (which was authorized in separate legislation), S. 268 as introduced is identical to S. 306 as passed by the Senate in the 97th Congress. As ordered reported by the Senate Committee on Energy and Natural Resources, S. 268 authorizes the addition of hydroelectric generating capacity at seven sites with an installed capacity of approximately 188 megawatts and an annual generation of approximately 385 million kilowatt hours, or the equivalent in energy of over 690,000 barrels of oil.

For comparative purposes, a brief summary of project statistics of S. 268 as introduced and as ordered reported by the Committee follows:

Project	Capacity (megawatts)	Cost (millions)	Generation (million kilowatt hours)
S. 268. Summary as introduced:			
Friant, Calif.[1]	22.7	$25.39	101
Whiskeytown, Calif.[1]	3.0	3.39	11
Yellowtail Afterbay, Mont.	10.0	24.2	62
Red Bluff, Calif.[1]	10.0	38.03	53
Stony Gorge, Calif.[1]	3.0	4.02	11
Monticello, Calif.[1]	16.0	11.83	43
Palisades, Idaho	90.0	65.3	158
Anderson Ranch, Idaho	30.0	13.2	19
Minidoka, Idaho	30.0	60.0	48
Boca, Calif.-Nev.	.9	.84	3
Prosser, Calif.-Nev.	1.0	1.24	3
Total	216.6	247.44	512
S. 268. Summary as ordered reported:			
Whiskeytown, Calif.[1]	3.0	$3.78	11
Yellowtail Afterbay, Mont.	10.0	25.6	62
Red Bluff, Calif.[1]	10.0	42.1	53
Palisades, Idaho	90.0	76.0	158
Anderson Ranch, Idaho	30.0	14.317	19
Minidoka, Idaho	30.0	73.437	48
Guernsey, Wyo.[1]	15.0	22.337	34
Total	188.0	257.571	385

[1] Conditional authorization.

Further Discussion

As in S. 1420 of the 96th Congress and S. 360 of the 97th Congress, the Committee has retained the concept of a "conditional authorization" for certain projects authorized in the bill. This provides an opportunity for non-Federal entities to secure a license from the Federal Energy Commission prior to October 1, 1985, after which the Secretary of the Interior is authorized to construct those projects for which licenses have not been granted.

The Committee also notes the opportunity provided pursuant to the popularly referred to "Contributed Funds Act" (41 Stat. 1404, 43 U.S.C. § 395) for non-Federal contributions to be made towards the construction of the Federal facilities authorized in S. 268. Many reclamation projects have received funding assistance from non-Federal sources and this practice may serve to provide not only for construction on a more timely basis but also to alleviate the impact of water resource development expenditures on the Federal budget.

During consideration of S. 268 before the Committee on May 13, 1983, Senator Wallop expressed concern regarding the relationship of increased power generation at Guernsey Dam in Wyoming to the current practice of providing a "silt run" for the purpose of preventing seepage in canals of the North Platte Project. The silt run operation involves lowering the level of Guernsey Reservoir so that

silt deposits are flushed from the reservoir. The sediment laden water is then diverted into the North Platte Project's canal system where the silt blankets the canal bottoms and sides thereby reducing seepage. Lowering the level of Guernsey Reservoir affects power generation. Senator Wallop is working closely with water users and the Bureau of Reclamation in an attempt to rectify the apparent conflict and may offer amendatory language to S. 268 when considered on the floor of the Senate.

LEGISLATIVE HISTORY

S. 268 was introduced on January 24, 1983. Senators McClure, Hatfield, Melcher, and Symms are sponsors of the measure. A hearing was held by the Subcommittee on Water and Power to take testimony on S. 268 on March 24, 1983.

Similar legislation passed the Senate in both the 96th and 97th Congress but was not considered by the House prior to adjournment.

COMMITTEE RECOMMENDATION AND TABULATION OF VOTES

The Senate Committee on Energy and Natural Resources, in open business meeting on May 13, 1983, by unanimous vote of a quorum present, recommends that the Senate pass S. 268 if amended as described herein.

The rollcall vote on reporting the measure was 18 yeas and 0 nays as follows:

YEAS	NAYS
McClure	
Hatfield	
Weicker [1]	
Wallop	
Warner	
Murkowski	
Nickles	
Hecht	
Chafee	
Heinz [1]	
Johnston [1]	
Jackson	
Bumpers [1]	
Ford	
Metzenbaum [1]	
Matsunaga [1]	
Melcher [1]	
Bradley [1]	

COMMITTEE AMENDMENTS

1. Conforming.
2. Clarifying.
3. Clarifying.
4. Clarifying.
5. Clarifying.
6. Clarifying.

[1] Indicates vote by proxy.

COMMITTEE AMENDMENTS

7. This amendment deletes authorization of the powerplants which would have been constructed on the Friant, Red Bluff, Stony Gorge, Monticello, Boca, and Prosser facilities. These proposals were deleted in response to Administration testimony that non-Federal entities were interested in developing the resources and that such development would not adversely affect existing project operations or obligations. Also in response to Administration recommendations, the amendment includes authorization for the enlargement of the Guernsey powerplant on the North Platte project in Wyoming with the addition on a turbine generator unit of 15 megawatts capacity.

8. Clarifying.

9. The major intent of the amendment is to provide conforming language to amendment number 7. The amendment also provides for the marketing of the power produced by the Guernsey powerplant enlargement through the Western Division of the Pick-Sloan Missouri Basin program power marketing program.

10. Clarifying.

11. Clarifying.

12. This amendment provides conforming language to amendment 7 and also reflects current cost figures as provided by the Administration for the individual projects to be constructed.

COST AND BUDGETARY CONSIDERATIONS

The following estimate of costs associated with this measure has been provided by the Congressional Budget Office:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, D.C., May 16, 1983.

Hon. JAMES A. MCCLURE,
Chairman, Committee on Energy and Natural Resources,
U.S. Senate,
Dirksen Senate Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: Pursuant to Section 403 of the Congressional Budget Act of 1974, the Congressional Budget Office has prepared the attached cost estimate for S. 268, a bill to authorize the Secretary of the Interior to construct, operate, and maintain hydroelectric power plants at various existing water projects, and for other purposes.

Should the Committee so desire, we would be pleased to provide further details on this estimate.

Sincerely,

JAMES BLUM
(For Alice M. Rivlin, Director).

CONGRESSIONAL BUDGET OFFICE, COST ESTIMATE

1. Bill number: S. 268

2. Bill title: A bill to authorize the Secretary of the Interior to construct, operate, and maintain hydroelectric power plants at various existing water projects, and for other purposes.

3. Bill status: As ordered reported by the Senate Committee on Energy and Natural Resources, May 13, 1983.

4. Bill purpose: This bill authorizes the appropriation of funds to the Department of the Interior and the Department of Energy (DOE) for constructing seven hydroelectric power plants and related transmission facilities. It also authorized such sums as may be necessary for operating and maintaining the facilities and for the purchase of any replacement power needed during construction. Although the bill specifically appropriates $257.6 million (in October, 1983 prices) for dam construction, Section 8 allows for adjusting these amounts by the applicable index for construction costs. Funds for constructing four of the plants are authorized beginning in fiscal year 1984. Funds for the remaining three projects may be appropriated beginning in fiscal year 1986, unless the projects have been licensed for development by a nonfederal entity. The bill also specifies that the financing and marketing aspects of these projects shall be integrated with the existing rate schedules of the Western Area Power Administration (WAPA) and the Bonneville Power Administration (BPA). The interest rate charged for the funds used during constuction and for the repayment of the appropriations is to be based on the Department of the Treasury's rates for certain long-term issues at the time construction begins.

5. Estimated cost to the Federal Government:

[In fiscal years, in millions of dollars]

	1984	1985	1986	1987	1988
Function 300 (construction of the hydroelectric facilities):					
Estimated authorization level	23	52	85	71	38
Estimated outlays	20	48	80	73	43
Function 270 (construction of transmission facilities) [1]					
Estimated authorization level	[2]	[2]	1	−4	−11
Estimated outlays	[2]	[2]	1	−4	−11
Total Budget Impact:					
Estimated authorization level	23	52	86	67	27
Estimated outlays	20	48	81	69	32

[1] Net of offsetting receipts from WAPA and BPA for interest and principal payments.
[2] Less than $0.5 million.

In addition to the costs shown above, additional authorizations of $16 million and outlays of $22 million are estimated for fiscal years 1989 through 1990. Receipts from the repayment of principal and interest are expected to total $27 million by 1990, when all of the plants will be operational.

Basis of estimate: This estimate assumes that all of the funds authorized (as inflated from the October, 1983 prices) will be appropriated on an incremental basis over the life of the projects, beginning as soon as the bill permits. The estimated authorizations for building the dams and transmission facilities are based on data from the Bureau of Reclamation (of the Department of the Interior) and the DOE on the anticipated construction periods and patterns of obligations for such projects. CBO's current economic assumptions as to future inflation rates were used to adjust the estimated authorizations as specified in Section 8 of the bill. Using these assumptions, the estimated cost of constructing the seven dams and

the transmission facilities will total $285 million and $4.6 million, respectively. The estimated outlays are based on the historical spending patterns for similar construction projects.

No net costs are expected to be incurred for the operation and maintenance of these facilities, because these expenses are covered by revenues from the ratepayers. Such expenses presently average about $6 per kilowatt (at 1983 prices), which suggests a total annual cost of approximately $400,000 by 1988. Likewise, no significant costs are expected to result from the purchase of any replacement power needed during construction.

All of the amounts appropriated for these projects will be repaid to the federal government at the interest rates specified in the bill, by the ratepayers of WAPA and BPA. For the purposes of this estimate, the interest rates charged on the funds used during construction and for the repayment of the appropriations are based on CBO's projections of the Treasury's interest rate for long-term bonds. It is assumed that once the facilities go into service, WAPA and BPA will begin repaying the principal and interest on the federal investment. Consistent with existing policies, the estimate assumes that the appropriations for the dams and transmission facilities will be repaid within 50 years and 35 years, respectively. The receipts from these payments are estimated to total $16 million over the 1984 through 1988 period. Annual repayments are estimated to total $27 million by 1990, when all of the plants are expected to be in service.

The costs shown here represent the costs of federal construction of all seven dams. Under Section 3 of the bill, no funds will be authorized for three of the dams if they are licensed by a nonfederal entity by October 1, 1985. (A license has been issued for one of the plants by the Federal Regulatory Commission, and permits have been issued for the other two.) If these plants are developed by nonfederal entities, the net authorization and outlays would be reduced by $78 million over the 1986 through 1989 period.

6. Estimated cost to State and local governments: None.

7. Estimate comparison: None.

8. Previous CBO estimate: None.

9. Estimate prepared by: Kathleen Gramp.

10. Estimate approved by: James L. Blum, Assistant Director for Budget Analysis.

Regulatory Impact Evaluation

In compliance with paragraph 11(b) of Rule XXVI of the Standing Rules of the Senate, the Committee makes the following evaluation of the regulatory impact which would be incurred in carrying out S. 268 as reported.

The bill is not a regulatory measure in the sense of imposing Government-established standards or significant economic responsibilities on private individuals and businesses.

No personal information would be collected in administering the program. Therefore, there would be no impact on personal privacy.

Little if any additional paperwork would result from the enactment of S. 268.

EXECUTIVE COMMUNICATIONS

The pertinent legislative reports received by the Committee from the Department of the Interior and the Department of Energy setting forth Executive agency recommendations relating to S. 268 are set forth as follows:

U.S. DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
Washington, D.C., May 11, 1983.

Hon. JAMES A. MCCLURE,
Chairman, Committee on Energy and Natural Resources, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This responds to your request for our views on S. 268, a bill "To authorize the Secretary of the Interior to construct, operate, and maintain hydroelectric powerplants at various existing water projects, and for other purposes."

We support enactment of S. 268 with the amendments discussed in this report.

Hydroelectric power can play an increasingly important role in our Nation's drive to increase its domestic energy production and to reduce its dependence on foreign oil. That can be accomplished in several ways, including uprating older generators, enlarging existing powerplants or adding a powerplant where none was included when the dam was constructed. Non-Federal interests have become increasingly aware of the attractive benefits of hydroelectric energy and have shown substantial interest in developing the hydropower resources at Federal sites.

This Administration strongly supports the objective of allowing non-Federal interests to participate in or fully undertake power development at existing Federal reservoirs sites, where feasible. This will involve a higher degree of local involvement, may get power on line sooner in some cases, and will provide an effective market test of the need for additional power. Private developers have an incentive to build and operate cost-effective plants.

PROVISIONS OF S. 268

S. 268 would:

(1) authorize the Secretary of the Interior to construct hydroelectric powerplants at 11 existing water projects and permit non-Federal participation in the development of such powerplants;

(2) authorize the Secretary of Energy to, among other actions, purchase replacement capacity or energy to maintain deliveries to customers during any outages resulting from construction of facilities covered by the Act;

(3) require the Secretary of the Interior and the Secretary of Energy to attempt to minimize the loss of capacity and energy to power customers due to outages caused by construction and require the Secretary of Energy to maintain deliveries at contract prices;

(4) specify which powerplants would be modified or replaced;

(5) require that all power generated by facilities constructed pursuant to the act be marketed through the existing Federal power marketing programs;

(6) protect valid existing water rights or water delivery to the holder of any valid water service contract;

(7) establish an interest rate based on 15-year government held obligations for the repayment requirements for the interest-bearing functions of the powerplants; and

(8) authorize appropriations for 11 powerplants involved on the basis of October 1983 price levels.

RECOMMENDATIONS

Our recommendations on major aspects of S. 268 are set forth below. We have also enclosed specific language for implementing these, along with recommendations for additional amendments.

1. *Authorization for construction of 11 powerplants.*—The first section of S. 268 would provide detailed authority to the Secretary of the Interior to construct specific hydroelectric powerplants at 11 existing water projects, most of which are already authorized for Federal development hydropower.

On five of the projects, a non-Federal entity would have an opportunity to pursue construction of the power facility if a license under the Federal Power Act is obtained by October 1, 1985. The other projects are best suited for Federal development, although non-Federal participation will be encouraged on each of these projects.

We are strongly supportive of the opportunity for such non-Federal development, but we believe that the Secretary of the Interior should be given the discretion to consider the merits of Federal versus non-Federal development where private parties have shown interest in developing hydropower at an existing reservoir. We do not endorse, as a general practice, authorization for construction of water resource development projects before feasibility studies are complete. Accordingly, we recommend that the first section of the bill be amended to require Secretarial findings of economic and financial feasibility, compliance with the applicable environmental laws, and the impracticality of non-Federal development before authorization of any Federal construction of the powerplants designated in section 4.

Many of the operational problems which might arise when a private plant is built at a Federal project can be handled by contractual arrangements. For instance, where water releases must be scheduled to serve multiple purposes, we would write contract clauses requiring non-Federal power operations to be consistent with other project operations and with the fulfillment of Federal statutory and contractual obligations to other water and power users.

We have recently streamlined our planning process for water projects to reduce the time and costs involved. Recognizing that the projects we support in this bill are modifications of existing projects, some of which are already authorized for power, and considering the need for new power and inherent advantages of hydropower, we can accept authorization in this case without completion

of the normal planning process because it will shorten the time necessary for bringing power on line.

Because of the significant interest in the non-Federal development of hydroelectric power at many Bureau of Reclamation facilities, we recommend that the first section of S. 268 also be amended to clarify that the Secretary could use contributed funds for development and operation of all authorized Federal hydroelectric facilities under this Act, while maintaining control of critical construction, operational and environmental concerns. The amendment we have enclosed to accomplish this would also allow sharing of costs and benefits in projects where the Federal Government needs some of the energy produced. While we believe the Secretary now has such authority under the Sundry Civil Expenses Appropriations Act of 1922 (43 U.S.C. 395), this amendment would clarify that authority.

We also recommend that the Secretary of the Interior, in consultation with the Secretary of Energy, be authorized to enter into contracts with non-Federal entities for the sharing of the costs of powerplant development and the sharing of the revenues or power resulting from such development. We have proposed an amendment to implement this similar to section 107 of title 1 of Public Law 97-293, an Act to authorize Buffalo Dam and Reservior modifications. Our proposed amendment would allow us to work closely with the Department of Energy in strengthening this Administration's partnership with the States and other non-Federal sponsors in hydropower developmnent.

2. *The need for modification or replacement of specified powerplants.*—Section 4 would specify which powerplants are authorized for modification or replacement and the extent of work necessary on each. We fully support retaining in S. 268 six of the powerplants: Palisades, Whiskeytown, Yellowtail Afterbay, Red Bluff, Anderson Ranch and Minidoka. In addition, we recommend the inclusion of the Guernsey powerplant enlargement, which will fully develop the resource at that site. Construction on each of these powerplants is essential in our drive to develop our hydropower resources. It is our intention to encourage non-Federal interest at these sites.

We recommend deletion of the other five powerplants from section 4. The Federal Energy Regulatory Commission (FERC) has issued a license on Monticello powerplant and construction is underway. Licenses have also been issued on Friant and Stony Gorge, and permits ahve been issued on Boca and Prosser powerplants. Because it is likely that these powerplants will be fully developed by non-Federal interests, we recommend their deletion from sections 4, 5, and 8 of S. 268.

We also recommend an amendment to section 4 to conform it with present plans for the Minidoka powerplant, and similarly, that section 8 be amended to conform the authorized costs of the powerplants with current Bureau of Reclamation plans.

We also recommend an amendment related to the construction of hydropower facilities at the Stampede Dam, Washoe Project. A number of non-Federal entities have expressed an interest in sharing the cost of such construction. We therefore recommend an

amendment to allow the Secretary of the Interior to obtain financial participation of any interested non-Federal entities.

The project power facilities which have been proposed in S. 268, if constructed, would generate about 512 million kilowatt hours annually of electric energy, which is equivalent to about 920,000 barrels of oil. If the bill is amended as we have recommended, the powerplants included would generate about 385 million kilowatt hours annually, which is equivalent to about 693,000 barrels of oil. We have enclosed a table showing the potential contribution of each project.

The total cost of the 11 projects included in S. 268 is estimated to be $283,752,000 based on October 1983 prices. The total cost of the 6 projects that we are recommending remain in the legislation is $235,234,000. The cost of the recommended additional powerplant, Guernsey, would be $22,337,000. Each of the projects listed in S. 268 has been investigated in various degrees over the last several years, and a report has been prepared or is being prepared on each one.

3. *Power distribution and marketing.*—Section 5(a) of the bill would require that all power generated by facilities constructed pursuant to the legislation be marketed through existing Federal power marketing programs. Section 5(b) would categorize the powerplants under specific marketing programs.

Our first proposed amendment to section 5(a) of S. 268 would provide authority to the Secretary of Energy to distribute energy to the non-Federal entities that contribute funds to the projects, and protect the Secretary of the Interior's authority to utilize energy from Federal hydroelectric projects, or those partially funded by the Federal Government, for Reclamation project purposes. This would change the current requirement under section 9(c) of the Reclamation Project Act of 1939, that preference in the sale of electric power or the lease of power privileges be given to municipalities, public corporations or agencies, and cooperative and nonprofit organizations financed by loans under the Rural Electrification Act. Our proposed amendment would eliminate that restriction for projects authorized under this Act and permit the distribution of energy to any entity that provided funding.

Our second proposed amendment to section 5(a) (which we would designate as section 5(b)) would, however, provide that such preference customers be given priority for selection as the powerplant developer, if the proposal by the preference customer meets or exceeds other proposals in conserving and utilizing the water resources in the public interest.

Our proposed amendment to section 5(b) (which we would redesignate as section 5(c)) would limit the amount of energy available for marketing to the amount remaining after energy is delivered to entities providing project funding and for Reclamation project uses.

4. *Interest rate.*—Section 7 of S. 268 would establish an interest rate based on 15-year government held obligations for the repayment requirements for interest-bearing functions of powerplants. A more accurate measure of current Treasury borrowing costs would be determined by market yields on outstanding Treasury securities with remaining periods to maturity comparable to the period of investment. Our proposed amendment to section 7 provides a more

equitable and effective way of approximately Treasury's borrowing costs.

5. *Inclusion of the Boulder Canyon project.*—S. 268 does not include provisions for uprating the Hoover Powerplant equipment, nor does it provide for adding facilities to accommodate visitors at Hoover Dam. The enclosed proposed amendments would add such provisions to S. 268.

Because the Boulder Canyon Project has been in operation for more than 40 years, a considerable amount of generating equipment is in need of replacement. The Bureau of Reclamation, supported by study results and recommendations of the General Accounting Office, and encouraged by the Secretary of the Interior, has established a standard practice to uprate original plant output capacity at the time normal maintenance is undertaken whenever feasible in order to help meet the Nation's overall energy requirements. An analysis of equipment at Hoover Powerplant shows that it is economically and environmentally feasible to uprate the powerplant from its current actual operating capacity of 1,450,000 kilowatts (kW) to an estimated capacity of 1,818,000 kW during routine maintenance. Since the operation and maintenance responsibilities at Hoover Dam and Powerplant are presently divided among three separate entities, uprating program agreements would be required.

Hoover Dam is also a natural tourist attraction, and has been visited by an increasing number of tourists since its construction. Moreover, it is crossed by Highway 93, a popular and well-traveled highway. The number of visitors at Hoover Dam has increased from 298,500 annually in 1947 to 726,300 in 1976, an average of about 2,000 per day. In 1976, more than 2 million vehicles traversed the roadway, with over 76,000 a day in peak months and nearly 6,000 an hour at peak hours. Of these vehicles, 16 percent are trucks. Because of this heavy use and because visitors must presently walk across the highway to tour the dam, it is necessary to construct new facilities to improve safety conditions at the dam, including the construction of a new bridge downstream of the existing structure.

A new highway crossing over the Colorado River is needed to alleviate the escalating traffic congestion at Hoover Dam. Hazardous traffic conditions exist due to the high traffic volume from both the traffic crossing the dam on U.S. Highway 93 and the tourist influx to the dam itself. Peak hour traffic exceeds the traffic capacity of the exiting highway across Hoover Dam resulting in traffic delays, restriction of visitor use of the dam, safety prolems, and hinderance to construction, operation and maintenance work at the dam.

Given this background, we strongly recommended that S. 268 be amended to authorize the Secretary to construct new facilities necessary to uprate the generating machinery and equipment, improve traffic conditions, eliminate potential safety hazards and reduce tourist congestion at Hoover Dam, Boulder Canyon Project, Arizona-Nevada. The facilities would include new generator windings, and other equipment associated with the powerplant, new elevators, new parking areas, improved roadways, and other facilities.

Under the Boulder Canyon Project Act of 1982, $165 million is authorized to be appropriated. However, the total cost of the better-

ment, visitor facilities and the bridge would require the cost ceiling to be increased from $165 million to $322 million. It is anticipated that the major portion of the funding for uprating will come from the States or public entities benefiting from the uprating program. Moreover, much of the cost of operating and maintaining the visitor facilities would come from user charges. Construction costs of visitor facilities would be repaid from power revenues. In order to maintain a reasonable construction schedule for the uprating program, the Secretary would be required to execute a contract with such entities to provide the United States with the required funding, to be advanced as requested by the Secretary.

In addition to the general construction authority, we are proposing a number of other amendments to S. 268 relating to the Boulder Canyon Project. These are described below.

First, we recommend increasing the ceiling for construction of Hoover Dam to $322 million. The Colorado River Dam Fund was established to carry out the provisions of the Boulder Canyon Project Act. The Secretary of the Treasury was authorized to advance to the fund from time to time such amounts as the Secretary of the Interior deemed necessary. However, section 3 of the Act limited appropriations to an amount not to exceed $165 million. As of October 1, 1981, approximately $1.9 million of the original $165 million ceiling remained. The Bureau of Reclamation plans to use the major portion of this remainder to fund the incremental uprating cost of a pilot program currently underway for Units A5, A7, N3 and N4. The major obstacle to the uprating program is the appropriation ceiling of $165 million on the Boulder Canyon Project.

The cost of completing the uprating program, in addition to the $1.9 million remaining in the original ceiling, is estimated to be $105 million based on October 1983 prices. Of this total, $60 million would be charged to replacement of worn out equipment as needed to keep the facilities in good operating condition, and for normal operation and maintenance, funded from revenues currently available. The remaining $45 million would be charged to betterment and would be derived from the new funding authorization with indexing. In addition, $32 million, based on October 1983 prices would be needed for new visitor facilities and $80 million (October 1983 prices) would be required for the bridge, requiring a total increase in authorization of $157 million.

Second, we recommend the addition of a component to the rates charged for power and energy of the Boulder Canyon Project after the current contracts expire in May 1987 to assure that the Lower Colorado River Basin Development Fund will have sufficient revenues to carry out its intended purposes.

Third, we recommend an interest rate for the repayment requirements under these amendments to the Boulder Canyon Project Adjustment Act of 1940 that would be determined by market yields on outstanding Treasury securities with remaining periods to maturity comparable to the period of investment.

Fourth, we recommend an amendment to require contracts between the Secretary of the Interior and non-Federal entities for the advancement of funds before initiation of a non-Federal uprating program. This amendment would also provide that any new capacity developed using funds advanced by non-Federal entities be allo-

cated only to those entities advancing such funds. Furthermore, the amendment would allow funds advanced for the purposes of this Act to be placed in the Colorado River Dam Fund, providing an exception to the requirement of the Contributed Funds Act of 1921 that all contributed funds be placed in the Reclamation Fund.

Finally, we recommend language to provide for repayment by the Boulder Canyon Project of facilities authorized under our proposed amendments.

CONCLUSION

The benefits of the policy embodied in this legislation are clear. Uprating, maintaining and constructing hydroelectric powerplants at water projects are essential to our efforts in meeting energy needs. Moreover, this legislation gives us an excellent opportunity to encourage non-Federal participation in the development of hydroelectric power at many Bureau of Reclamation facilities such as Hoover Dam. Enactment of S. 268 with our proposed amendments would strengthen the joint Federal and State partnership in water resources development.

The Office of Management Budget has advised that there is no objection to the presentation of this report from the standpoint of the Administration's program.

Sincerely,

GARREY E. CARRUTHERS,
Assistant Secretary.

Enclosures.

Project	Number of		Annual generation (million kilowatt hours)
	Powerplants	Units	
As proposed in S. 268:			
Friant	3	3	101
Whiskeytown	1	1	11
Yellowtail Afterbay	1	1	62
Red Bluff Diversion Dam	1	4	53
Stony Gorge	1	1	11
Monticello	1	1	43
Palisades	1	2	158
Anderson Ranch	1	1	19
Minidoka	1	2	48
Boca	1	1	3
Prosser	1	1	3
Total	13	18	512
With suggested Department of the Interior amendment:			
Whiskeytown	1	1	11
Yellowtail Afterbay	1	1	62
Red Bluff Diversion Dam	1	4	53
Palisades	1	2	158
Anderson Ranch	1	1	19
Minidoka	1	2	48
Guernsey	1	1	34
Hoover	—	—	—
Total	7	12	385

SUGGESTED DEPARTMENT OF THE INTERIOR AMENDMENTS TO S. 268

1. *Section 1.* On Page 1, line 3, strike out "the" and insert in lieu thereof "(a) The".

On page 2, line 6, add the following after the period:

Federal construction of any powerplant designated in section 4 of this Act shall not be deemed to be authorized until such time as the Secretary of the Interior has made findings of the economic and financial feasibility thereof and the impracticality of non-Federal development of the powerplant, and has complied with applicable environmental laws.

On page 2, line 9, strike out "postauthorization" and insert in lieu thereof "feasibility".

On page 2, line 10, add the following after the period:

(b) The Secretary of the Interior is authorized:

(1) to utilize funds contributed by non-Federal entities for the planning, design, construction, operation, maintenance and replacement of the powerplants authorized under this Act and such funds may be covered directly into the Reclamation Fund;

(2) upon consultation with the Secretary of Energy, to enter into contracts with the contributors of such funds upon such terms and conditions as the Secretary of the Interior deems necessary for the sharing of the costs of the powerplant development and the sharing, at the option of the contributors, of the revenues or the power from the development; and

(3) to allow non-Federal entities to construct or operate powerplants authorized under this Act.

2. *Section 2.* On page 2, insert "section 4 of" after "in" on line 14 and before "this" on line 17.

On page 2, line 17, replace the comma after "Act" with a period, delete the remainder of line 17 and delete lines 18 through 20.

3. *Section 3.* On page 3, line 1, add "contractual" after "maintain".

On page 2, line 21, redesignate section 3 as section 3 (a) and insert immediately after page 3, line 3, the following new subsection:

(b) The Secretary of Energy is authorized to purchase replacement capacity, energy, or both in order to maintain contractual deliveries to customers during unit outages which result from Federal construction or uprating of the powerplants authorized in this Act.

4. *Section 4.* On page 3, strike out lines 4 through 13 after "SEC. 4." and renumber the subsections accordingly.

On page 4, strike out lines 1 through 6 and lines 18 through 23 and renumber the subsections accordingly.

On page 4, beginning on line 15, strike out "of a turbine generator unit of thirty thousand kilowatts" and insert in lieu thereof the following: "of two turbine generator units of fifteen thousand kilowatts each".

On page 4 add the following subsection to Section 4:

(g) Guernsey powerplant enlargement, North Platte Project, Wyoming, consisting of one turbine-generator unit to increase the powerplant capacity by fifteen thousand kilowatts.

5. *Section 5. (a).* On page 4, line 25, insert "section 4 of" after "to".

On page 4, line 25, insert after "delivered" the following:

by the Secretary of Energy as follows:

(1) First, to non-Federal entities which contribute funds for the development of the powerplants and elect to receive power pursuant to subsection (b) of the first section of this Act in an amount proportionate to their contribution, on terms satisfactory to the Secretary of the Interior, notwithstanding the provisions of section 9(c) of the Reclamation Project Act of 1939 (43 U.S.C. 485h; 53 Stat. 1194) or other applicable laws;

(2) Second, to meet the energy requirements of Bureau of Reclamation projects in accordance with existing law and policy consistent with the provisions of this Act; and

(3) Third,

On page 5, line 1, strike out "to the Secretary of Energy".

On page 5, line 5, redesignate subsection (b) as subsection (c) and immediately after line 4 add the following:

(b) The Secretary of Interior shall give preference in accepting contributed funds or in allowing non-Federal development to those entities, as defined in section 9(c) of the Reclamation Project Act of 1939 (43 U.S.C. 485h; 53 Stat. 1198), who have shown interest in developing the hydropower resource involved; provided that the project development proposal of any such entity is equally well adapted, or is made equally well adapted, to conserving and utilizing the water resources and optimizing the power production of the site in the public interest as are the proposals submitted by other interested entities.

6. *Section 5. (b).* On page 5, line 5, strike out "The" and insert in lieu thereof "Any power available for marketing under subsection (a)(3) of this section from the". On line 5 insert "section 4 of" after "in".

On page 5, lines 8 and 9, strike out "Friant, Red Bluff, Whiskeytown, Stony Gorge and Monticello" and insert in lieu thereof "Red Bluff and Whiskeytown".

On page 5, lines 12 and 13, strike out ", and Buffalo Bill Dam powerplant replacement".

On page 5, line 14, strike out "Eastern Division,".

On page 5, strike out lines 20 through 23 and insert in lieu thereof the following:

(4) Guernsey powerplant unit shall be marketed through the Western Division, Pick-Sloan Missouri Basin Program power marketing program.

7. *Section 7.* On page 6, delete lines 3 through 11 and insert in lieu thereof:

SEC. 7. For those projects authorized in section 4 of this Act and financed by the Federal government, the interest rate used for computing interest during construction, and interest on the unpaid balance of the interest-bearing reimbursable cost of the project, shall be determined by the Secretary of the Treasury taking into consideration average market yields on outstanding marketable ob-

ligations of the United States with remaining periods to maturity comparable to the reimbursement period of the project during the month preceding the fiscal year in which the costs are incurred. To the extent that more than one interest rate is determined pursuant to the preceding sentence, the Secretary of the Treasury shall establish for repayment purposes an interest rate at a weighted average of the rates so determined.

8. *Section 8.* On page 6, line 14 insert "section 4 of" after "in".

On page 6, line 16 strike out "1981" and insert in lieu thereof "1983".

On page 6, line 19, strike out "There" and all that follows through "Act." on page 6 line 23, and insert in lieu thereof the following:

> There are also authorized to be appropriated to the Secretary of Energy such sums as may be necessary for the purposes of section 2 and 3 of this Act, and to the Secretary of the Interior such additional sums as may be necessary for the operation and maintenance of the Federal powerplants authorized by this Act.

On page 6, strike out line 24 and renumber paragraph (2) as (1).

On page 6, line 25 strike out "$3,390,000" and insert in lieu therof "$3,780,000".

On page 7, strike out line 3, 4, 9 and 10 and renumber the paragraphs accordingly.

On page 7, line 1, strike out "$24,200,000" and insert in lieu thereof "$25,600,000".

On page 7, line 2, strike out "$38,030,000" and insert in lieu thereof "$42,100,000".

On page 7, line 5, strike out "$65,300,000" and insert in lieu thereof "$76,000,000".

On page 7, line 6, strike out "$13,200,000" and insert in lieu thereof "$14,317,000".

On page 7, line 8, strike out "$60,300,000" and insert in lieu thereof "$73,437,000".

After page 7, line 8 add the following paragraph:

> (7) Guernsey powerplant enlargement, $22,337,000

On page 7, line 14 delete this period after the word "Act" and add the following: for the Federal projects authorized by section 4 of this Act.

9. After page 7, line 14, add the following new sections:

> SEC. 9. The Washoe Project Act of 1956 (70 Stat. 775) is hereby amended: In section 1, by inserting after the final period the following:
>
> "The Secretary of the Interior may utilize funds contributed by non-Federal entities for the planning, design, construction, operation maintenance, and replacement of any hydroelectric power facilities at Stampede Dam, Washoe Project. Any contributing entities shall receive either a share of the power or a share of the revenues proportional to their contribution.".

SEC. 10. (a) The Secretary of the Interior is authorized to increase the capacity of existing generating equipment and appurtenances at Hoover Powerplant (hereinafter "Uprating Program") and to improve parking, visitor facilities, and roadways; and to provide additional elevators, and other facilities that will contribute to the

safety and sufficiency of visitor access to Hoover Dam and Powerplant (hereinafter "Visitor Facilities Program").

(b) The Secretary of the Interior is authorized to construct a Colorado River bridge crossing, including suitable approach spans, immediately downstream from Hoover Dam for the purpose of alleviating traffic congestion and reducing safety hazards. This bridge shall be a part of the Boulder Canyon Project and shall be funded or repaid from the Colorado River Dam Fund or the Lower Colorado River Basin Development Fund.

(c) The Secretary of Energy is authorized to purchase or construct, operate, and maintain additional transmission facilities as he determines to be necessary to connect the Hoover Powerplant and Mead Substation to accomplish distribution and marketing of energy generated at Hoover Powerplant.

SEC. 11. Section 403(c) of the Colorado River Basin Project Act of 1968 (43 U.S.C. 1543(c); 82 Stat. 894) is amended by redesignating paragraph (2) as paragraph (2)(i) and by inserting immediately thereafter the following new subparagraph:

"(ii) Upon the expiration of existing power contracts in May, 1987 for the Boulder Canyon Project and in May, 2005 for Parker-Davis Project, the Secretary of the Interior, after consultation with the affected parties, shall determine the annual revenues required to fulfill the purposes set forth in subsections (f) and (g) of this section in addition to all other purposes of this title. The Secretary of Energy shall include a component or components in the power and energy rates applicable to such projects based on the Secretary of the Interior's determination. The Central Arizona Project distribution costs shall not be repaid under this provision.".

SEC. 12. The Boulder Canyon Project Act of 1928 (43 U.S.C. 617 *et seq.;* 45 Stat. 1057) is amended:

"(1) in section 2(b), by striking out "except that the aggregate amount of such advances shall not exceed the sum of $165,000,000.", by replacing the comma after the word "Act" with a period, and by inserting after "Of this amount" "so advanced,"; and

"(2) in section 3, by deleting "$165,000,000" and inserting in lieu thereof: "$322,000,000, of which $157,000,000 (October 1983 price levels) may be adjusted plus or minus such amounts as may be justified by reason or ordinary fluctuations of construction costs as indicated by engineering cost indexes applicable to the type of construction involved herein".

(The $157,000,000 represents the additional amount required (October 1983 prices) for uprating the capacity of the generating machinery and equipment at the Boulder Canyon Project, and improving facilities for accommodating visitors, improving traffic flow over the river, alleviating potential safety hazards and expediting access at Hoover Dam.)

SEC. 13. The Boulder Canyon Project Adjustment Act of 1940 (43 U.S.C. 618 *et seq.,* 54 Stat. 774), is amended:

(a) in section 1 by striking out "during the period beginning June 1, 1937 and ending May 31, 1987" appearing in the intro-

ductory paragraph of section 1 and in section 1(a), and inserting in lieu thereof "beginning June 1, 1937".

(b) in section 1(b) by striking out "and such portion of such advances made on and after June 1, 1937, as (on the basis of repayment thereof within such fifty-year period or periods as the Secretary may determine) will be repayable prior to June 1, 1987" and inserting in lieu thereof "and such advances made on and after June 1, 1937, over fifty-year periods.".

(These changes are necessary to extend the Secretary of the Interior's authority to assess charges to meet the cost of operation and maintenance and to repay advances to the Colorado River Dam Fund in addition to other purposes.)

SEC. 14. The Boulder Canyon Project Adjustment Act of 1940 (54 Stat. 774; 43 U.S.C. 618 *et seq.*) is amended:

"(a) in section 6 by changing the final period to a semicolon and by inserting the following proviso:

"Provided that, the interest rate used for computing interest during construction, and interest on the unpaid balance of the interest-bearing reimbursable cost of the project for funds advanced after October 1, 1983, shall be determined by the Secretary of the Treasury taking into consideration average market yields on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the reimbursement period of the project during the month preceding the fiscal year in which the costs are incurred. To the extent that more than one interest rate is determined pursuant to the preceding sentence, the Secretary of the Treasury shall establish for repayment purposes an interest rate at a weighted average of the rates so determined."; and

"(b) in section 12, in the paragraph beginning with "Replacements", by striking out "from June 1, 1937, to May 31, 1987, inclusive" and inserting in lieu thereof "beginning June 1, 1937".

SEC. 15. (a) The allocation of any capacity made available by the Uprating Program shall be determined by the Secretary of Energy, in consultation with the Secretary of the Interior, in conjunction with the Boulder Canyon Project power marketing program, except that any new capacity financed under any contract under subsection (b) of this section shall be allocated only to entities advancing funds for such Uprating Program. In making his determination the Secretary of Energy shall take into account the contribution of such entities.

(b) The Secretary of the Interior shall not initiate any Uprating Program under section 10 of this Act until contracts satisfactory to the Secretary of the Interior, in consultation with the Secretary of Energy, have been entered into with entities within the States of Arizona, California, and Nevada, for the advancement of such funds as are necessary to accomplish the Uprating Program, said monies to be advanced as required to maintain a reasonable construction schedule.

(c) Notwithstanding any other provision of the law, funds advanced by non-Federal entities for use in the programs authorized by section 10 of this Act shall be deposited in the Colorado River Dam Fund and shall be available to satisfy the purpose of this Act.

SEC. 16. Reimbursement of funds appropriated for construction of modified or expanded facilities authorized under section 10 of this Act, exclusive of those funds advanced by project beneficiaries, shall be a repayment requirement of the Boulder Canyon Project beginning with the first day of the month following completion of the installation, except that the costs of the visitors facilities shall become a repayment requirement beginning June 1, 1987, or when substantially completed as determined by the Secretary, if later.

DEPARTMENT OF ENERGY,
Washington, D.C., April 29, 1983.

Hon. JAMES A. MCCLURE,
Chairman, Committee on Energy and Natural Resources,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This responds to your request for the views of the Department of Energy on S. 268, 98th Congress, a bill "[t]o authorize the Secretary of the Interior to construct, operate, and maintain hydroelectric powerplants at various existing water projects, and for other purposes." This bill is essentially the same as S. 306, 97th Congress, which the Senate passed on September 22, 1981, but which was never enacted into law.

The bill would authorize the Secretary of the Interior to construct 13 hydroelectric powerplants at 11 existing water projects of the Bureau of Reclamation. A proviso would prevent construction at five of the projects prior to October 1, 1985, or for any of those five projects if a license were issued by the Federal Energy Regulatory Commission (FERC) to a non-Federal entity under the Federal Power Act prior to that date.

S. 306 would have authorized powerplants at 12 existing water projects. Subsequent to Senate passage of S. 306, the Congress separately authorized modifications to the Buffalo Bill Dam and Reservoir, Shoshone Project in Wyoming (Pub. L. No. 97-293). This project, therefore, was dropped from section 4 of S. 268. The words "and Buffalo Bill Dam powerplant replacement" accordingly should be stricken from section 5(b) at page 5, lines 12 and 13 of S. 268.

S. 268 also would direct the Secretary of Energy to market power generated by the Bureau of Reclamation at the projects authorized by the bill through Federal hydroelectric power marketing programs in accordance with existing law and policy. To that end, the Secretary of Energy would be authorized to construct, operate, and maintain transmission facilities as required physically to connect the hydroelectric powerplants to existing power systems and as considered necessary to accomplish the distribution and marketing of the power. The Secretary of Energy further would be authorized to acquire replacement capacity, energy, or both to maintain deliveries of existing power and to minimize losses of capacity and energy to customers during construction periods.

The Department of Energy supports the broad objectives of S. 268. These hydroelectric powerplants are renewable energy sources and thus will reduce United States dependence upon imported fossil fuels. The Department is fully prepared, acting through the Bonneville Power Administration and the Western Area Power Administration, to carry out the duties assigned to it in the bill. The

Department of Energy also supports the proviso in the first section of the bill which would afford the opportunity for non-Federal development of these resources under licenses from the Federal Energy Regulatory Commission where appropriate.

The Department of the Interior in its testimony before the Committee recommended several amendments to S. 268. They would, *inter alia*, reduce to eight the number of hydroelectric powerplants authorized by the bill and encourage non-Federal contribution to the costs of developing the powerplants. These amendments amplify the authority of the Department of the Interior, which now exists under the Sundry Civil Expenses Appropriations Act for 1922 (43 U.S.C. § 395), to accept and spend contributed funds for operations similar to those provided for by the reclamation law. We fully support this concept of innovative financing for Federal power and development, and suggest that it be extended to Department of Energy functions under S. 268. Accordingly, we recommend that the following sentence be added to the first section of the bill as amended by the Department of the Interior:

"(c) The Secretary of Energy may utilize funds contributed by non-Federal entities for—

"(1) planning, design, construction, operation, maintenance, and replacement of transmission facilities authorized by this Act, or

"(2) the purchase of replacement capacity, replacement energy, or both to maintain contractual deliveries to customers during unit outages resulting from Federal construction or uprating of powerplants authorized by this Act,

under such terms and conditions for costs and revenue sharing as the Secretary of Energy deems appropriate."

The amendments proposed by the Department of the Interior offer two ways to encourage non-Federal interests to contribute funds to the development of hydroelectric facilities at Federal dams, to wit, by providing power to the entity supplying the funds or by sharing the revenue from the project with that entity. The latter approach was adopted in the last Congress in its authorization of the modification to the Buffalo Bill Dam and Reservoir, Shoshone Project. By allowing payment for participation in either revenue or power, participation is opened to a broader range of non-Federal interests. In some circumstances, the "share the revenue" concept may better accommodate the need to assure that the capacity of a specific hydroelectric system is operated as a system resource and not inefficiently as an isolated resource.

Finally, a technical adjustment to the bill is necessary. If a utility develops or participates in a project authorized by the bill in the service area of the Bonneville Power Administration (BPA), the bill should preclude the utility from passing on its costs to the BPA through its average system cost if the resources are not needed for its own loads or do not meet the requirements of law. A requirement imposed upon the BPA by section 4(h) of the Pacific Northwest Electric Power Planning and Conservation Act (16 U.S.C. § 839(h)) to pay any fisheries mitigation costs also should be eliminated for those projects. Accordingly, section 1 of S. 268, as amend-

ed by the suggested Department of the Interior amendment, should be further amended by adding a new subsection (d) as follows:

"(d) Notwithstanding subsection (h) of this section—

"(1) if a qualifying utility that has contributed to the development of the Palisades, Anderson Ranch, or Minidoka powerplants exchanges power with the Bonneville Power Administration under a purchase and exchange agreement entered into under section 5 of the Pacific Northwest Electric Power Planning and Conservation Act (16 U.S.C. § 839c.), the related cost or the power received by the qualifying utility shall be excluded from the average system cost determinations of the utility to the extent that these resources are not needed to meet the utility's own loads.

"(2) any direct or indirect costs associated with the protection, mitigation, and enhancement of fish and wildlife under the Pacific Northwest Electric Power Planning and Conservation Act are the responsibility of the non-Federal entity and may not be assessible against or chargeable to a Federal agency responsible for managing, operating, or regulating hydroelectric facilities on the Columbia River or its tributaries."

The Department of Energy supports the enactment of S. 268 subject to the adoption of the amendments proposed by the Department of the Interior and the further amendments recommended in this report.

Enactment of S. 268 would not have a significant impact upon the budgetary requirements of the Department of Energy.

The Office of Management and Budget advises that there is no objection to the submission of the report from the standpoint of the President's program.

Sincerely,

R. TENNEY JOHNSON,
General Counsel.

Additional Views of Mr. Wallop

I am pleased that my colleagues on the Energy and Natural Resources Committee have approved the passage of S. 268, together with the Administration's suggested amendments. One of these amendments will add an additional unit to the existing generating plant at Guernsey Dam in my home state of Wyoming.

It is critical to his nation's future that we continue developing all of our nation's resources, including hydroelectric power. However, this development must be in concert with other uses, not at the expense of them. It is toward this end that I anticipate offering an amendment to S. 268 when it reaches the floor. My amendment will not be precedential, nor will it have any widespread effect. Rather, it will clarify a unique problem which has arisen between the Bureau of Reclamation and the irrigators who use the water stored in Guernsey Reservoir and which a general contract between the two is silent on.

Since the mid-1930s the irrigators have used silt to line their canals and ditches. This silt acts to seal the waterways thus reducing water losses and improving the fertility of the soil.

In 1952, an amendatory contract was signed between the Bureau of Reclamation and the irrigators which transferred Guernsey's power rights to the Bureau in exchange for credit on the construction costs. The contractual language did not specifically include or exclude this silt run and the language of the contact lends itself to different interpretations. During the years since the contract was executed, this problem has been exacerbated by various BOR employees and officials telling water users that they could continue the silt run at no charge.

I am presently working with BOR officials and the irrigators on language which would clarify the contract and resolve the silt run issue once and for all. If fair and equitable language can be agreed upon, I would anticipate offering it as an amendment to S. 268 when it is considered on the floor.

Malcolm Wallop.

CHANGES IN EXISTING LAW

In compliance with paragraph 12 of Rule XXVI of the Standing Rules of the Senate, the Committee notes that no changes in existing law are made by S. 268 as reported.

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